
PERSPECTIVES

Reinvention: Transforming FMS For The 21st Century

By

**Frederick C. Beauchamp,
Defense Security Cooperation Agency**

[The following is an excerpt of the speech given at the 2001 Defense Security Cooperation Agency Conference, September 26, 2001.]

Ten initiatives listed below have been introduced to improve the foreign military sales (FMS) process for our international customers and defense industry alike. These improvements will leverage U.S. information technology capabilities and will enhance the professionalism of the U.S. civilian workforce.

- Team International;
- Standby Letter of Credit in Lieu of Termination Liability Prepayments;
- Improved Payment Schedule Methodology;
- Greater Customer Participation in FMS Related Contract Processes;
- Customer Satisfaction Index;
- Electronic Letter Of Offer and Acceptance Coordination;
- Web-based *Security Assistance Customer Handbook*;
- Electronic *How To Guide For Letter Of Request Preparation*;
- Improved Case Closure and Reconciliation; and
- Civilian Workforce Initiatives

To fully appreciate what the Defense Security Cooperation Assistance (DSCA) is about to share with you, look back on how DSCA got here. In 1998 the Cold War had been over for nearly a decade. The Gulf War had been won. The U.S. international clientele had become focused on customer service and value for their money. The international clientele were rightfully seeking a larger role in the FMS process and wanted to be treated as partners. They were demanding a better accounting for the use of their scarce defense resources and an improved response from an FMS process that was seen as having become too cumbersome. The international clientele were seeking improvements and the U.S. could not ignore them.

The U.S. defense industry colleagues were also seeking a greater role in the FMS process and were, like the U.S. international customers, growing frustrated with its burdensome nature. Export controls were increasingly seen as limiting American competitiveness in the global

market. U. S. defense industry was asking for greater U.S. government support to its sales and marketing efforts. The U.S. defense industry was seeking improvements. The U.S. could not ignore them either.

In response, the Department of Defense senior leaders decided in 1998 to reinvent the foreign military sales process. DSCA joined with the military departments, other defense agencies, as well as industry representatives and our international customers in a concerted effort to develop new ideas and procedures.

In responding to the directive of our leadership, DSCA learned that reinventing FMS is a formidable bureaucratic challenge requiring new thinking and approaches. FMS depends on the defense procurement system with its functional stovepipes, production priorities, and contracting restrictions. Authority for export controls is vested in the Department of State. DSCA could not overcome this challenge alone.

An interagency team produced three reinvention white papers containing twenty-two formal recommendations for improvement. At the same time, each of the military departments launched their own reinvention initiatives. However, our enthusiastic efforts resulted in too much being undertaken too early on.

The need to concentrate on more immediate needs and build from there was soon realized. In December 2000, DSCA's Director, General Walters, shifted the focus to eight to ten significant initiatives that could be implemented in the near term and which would benefit the widest segment of the security cooperation community. Reinvention ideas taking longer to implement because of staffing or resource considerations would be undertaken through a dedicated business process reengineering effort.

To achieve General Walters' short-term objectives, DSCA consolidated a number of working groups into four integrated process teams (IPTs). These teams were placed under the direct supervision of the Director, DSCA and his senior counterparts from the military departments. The major areas of focus for the IPTs were partnering, finance, business processes, and training and career development. Teams included folks from all three military departments, the Defense Logistics Agency, Defense Finance and Accounting Service, the Commerce Department, the acquisition community, the Foreign Procurement Group and our defense industry associations. It was a truly successful team effort by an outstanding group of people.

Of the ten initiatives introduced there is something for everyone:

- International customers;
- Service and interagency partners;
- Contractors; and
- U.S. Workforce.

Some initiatives are fully-developed and ready to go. Others are close, requiring only final staffing or signature; some will take a bit longer to implement while DSCA lines them up with budget cycles and identifies resources needed to make the ideas a reality. These are only the first steps along the transformation pathway to a more efficient and effective process of security cooperation.

Team International

This is an exciting concept in which international customer, U.S. contractor and representatives of the U.S. government form as a team at the earliest possible stage in an export sales development to discuss and define requirements. Inspired by an existing Navy program and developed by the partnering IPT, team international will be best suited for programs that introduce a weapon system into a customer's inventory; integrate a weapon system on a nonstandard or non-U.S. platform; or involve more than one military department. Team international will foster a true partnership among the U.S. government, the international customer and U.S. industry by promoting a greater understanding of each other's needs, expectations and limitations.

Stand by Letter of Credit in Lieu of Termination Liability Payments

International customers have long complained that too much of their money is unnecessarily encumbered in termination liability prepayments. These pre-payments are set aside initially to reimburse incurred costs in the event of a premature contract termination. To address this concern, the finance IPT developed a plan to institutionalize the use of Standby Letters of Credit with commercial banking sources in lieu of termination liability. This practice, recently approved by the DoD Comptroller, will adapt a proven commercial banking practice to foreign military sales and could produce potential savings to qualifying nations.

Improved Payments Schedule Methodology

Our customers have also told us that our payment schedules for FMS cases are inaccurate and do not reflect true financial requirements. In response, the finance IPT thoroughly reviewed and updated the assumptions used in our current payment schedule methodology. The finance IPT determined payment schedule actions that will be required during each stage of an FMS contract; reformatted payment schedules to make them more user-friendly; and rewrote applicable policies. DSCA is confident that these initiatives will dramatically improve the accuracy and reliability of payment schedules and result in increased customer satisfaction.

International Customer Participation in FMS Related Contract Processes

The international customer participation initiative is intended to provide the international purchasers a greater role and increased visibility into the process that produces contracts issued in their behalf by the Department of Defense. At the same time, DSCA believes that it will protect U.S. industry from the unauthorized disclosure of sensitive commercial data. When the policy is fully reflected in the *Defense Federal Acquisition Regulation Supplement*, customers will be encouraged to participate in discussions with industry regarding technical specifications, price-performance trade-off decisions, delivery schedules, special warranty provisions, and other requirements unique to the FMS customer. This represents a significant step forward in making the process more transparent and inclusive while protecting contractors' proprietary equities.

Customer Satisfaction Index

Effective internal business practices are needed to provide the service and support demanded by the U.S. international customers. When service and support fall short of expectations, U.S. customers must have a way of telling us. The business processes IPT, with the Army in the lead, developed a customer satisfaction index which, when fully fielded, will encourage feedback and focus on customer concerns. The customer satisfaction index consists of a computer-generated survey that measures the customer's perceptions of the quality, timeliness, and value of our products and services. It can be administered annually to all customers at once or to individual customers during various phases of an FMS sale. The index also provides the opportunity to

register complaints and will be used to allow managers to focus attention and resources where required.

Electronic LOA Coordination

A long-standing criticism of the FMS process has been the amount of time it takes to complete a Letter of Offer and Acceptance (LOA). Working with our Defense Security Assistance Development Center in Mechanicsburg, Pennsylvania, DSCA formed a team consisting of personnel from the business processes IPT, policy, comptroller and information technology offices to develop a means to electronically send, distribute, review and countersign LOAs. The process, involving a combination of e-mail and the Defense Security Assistance Management System (DSAMS) was successfully fielded in August of 2001. Thirty-nine LOA documents were reviewed using the new procedures and the average processing time was five days, down from the usual ten to sixteen days using paper documents. This achievement is the first step in a series of process improvements designed to speed the approval of LOAs through a major innovative use of our information technology.

Web-based Security Assistance Customer Handbook

The *Electronic Customer Handbook*, developed by the partnering IPT through a contract with Information Spectrum, Inc., is a meaningful and useful tool for all customers that will be readily accessible on the worldwide web. It provides a basic level tutorial for newcomers in the field of foreign military sales and a refresher for others. The handbook is relatively brief and presents a condensed description of steps in the FMS process with electronic links or references to documents such as the *Security Assistance Management Manual* for more detailed explanations. The *handbook*, currently still in draft, [since this article was written, the *handbook* has been published] will be under constant review and updated on a regular basis. DSCA looks forward to feedback from its users.

The *Electronic Customer Handbook* also includes a detailed guide for preparation of Letters of Request (LOR). Developed by the business processes IPT, this how to guide will help reduce the appreciable amount of time it currently takes to prepare and have an LOR accepted by the United States government. DSCA has had a great deal of help developing this LOR guide from both subject matter experts and potential users. It is available in the *Customer Handbook* on our DSCA web site and also in CD ROM. This initiative allows both the neophyte and expert to walk through the steps required to both prepare and submit an effective Letter of Request.

Improved Case Closure and Reconciliation

Another of our initiatives involved a multiple-step focus on FMS case closure and reconciliation. Worked intensively by the Finance IPT, the first step was to ensure all Implementing Agencies operate under the same Accelerated Case Closure Procedures. This makes certain that not only the military departments but all agencies managing FMS contracts are now operating under the same closure guidelines. A concerted effort was then made to recruit more international customers into Accelerated Case Closure Procedures. Briefings emphasizing improvements made to the program were presented to those customers who do not currently participate. Finally, the IPT set up a series of concentrated closure reviews intended to reduce the backlog of FMS cases over two years old that are supply complete.

Civilian Workforce Initiatives

In conclusion with an overview of our workforce initiatives developed by the Air Force Training and Career Development IPT. These initiatives are focused on DSCA's most valuable

stakeholder, our people. All government agencies face the same challenge today: an aging workforce, where up to 50 percent of our civilian employees will be eligible for retirement in the next five to ten years. All must deal with the effects of the staffing reductions of the 1990s on the retention of well-trained and educated personnel. DSCA believes that our international affairs civilian career personnel require a broader sense of community and enhanced professional development, much like the DoD acquisition career field.

The Training and Career Development IPT has laid the groundwork for three programs. The first will enhance the professionalism of our civilian workforce with established and certifiable standards for education, training and experience. The second will sustain the workforce through recruitment and development of security cooperation interns. The third will educate a targeted segment of the workforce utilizing an international affairs advanced degree program. Because the scope of these programs is so far-reaching and the resource requirements so extensive, it will be a while before they are fully implemented.

About the Author

Fred Beauchamp is the Chief, Strategic Planning for Defense Security Cooperation Agency. His responsibilities include coordinating the development and implementation of a series of FMS reinvention initiatives. Beauchamp retired from the U.S. Army as a Colonel in 1993. Before coming to DSCA he served as the Military Assistant to the Special Advisor to the President and Secretary of State for Arms Control Matters. He was also the Deputy Director of the NATO Policy Directorate, Office of the Secretary of Defense.